

November 24, 2009

Key Data

Closing Price*	Avg. Value Traded per Day
EGP 199.00	EGP 23.89 mln
52-Week High	Market Cap
EGP 225.00	EGP 19.9 bln
52-Week Low	Current Number of Shares
EGP 109.00	100 mln
Reuters	Bloomberg
EMOB.CA	EMOB EY
Ownership Structure	
OTH and FT 71.03%	Public 28.97%

*As of November 23, 2009. Sources: Bloomberg, Zawya, and NBK Capital

Rebased Performance



Sources: MSCI, Reuters, and NBK Capital

Key Ratios

	2008a	2009 f	2010 f	2011 f	2012 f
P/E	10.1	9.1	8.9	8.8	8.5
EPS Growth	8%	11%	2%	1%	3%
EV/ EBITDA	5.12	4.72	4.50	4.37	4.25
EBITDA Margin	47%	46%	46%	45%	45%
EBITDA Growth	27%	8%	5%	3%	3%
Dividend Yield	4.8%	4.4%	5.6%	10.5%	10.8%
ROAE	99%	77%	54%	42%	38%
2Q2009 EBITDA a	4Q2009 EBITDA f				
EGP 1,318 mln	EGP 1,277 mln				
3Q2009 EBITDA a	1Q2010 EBITDA f				
EGP 1,268 mln	EGP 1,224 mln				

a=actual, f = forecast. Sources: Reuters and NBK Capital

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Highlights

12-Month Fair Value: EGP 200

Recommendation: Hold- Risk Level4**

Reason for Report: Initiation of Coverage

- Backed by telecom giants France Telecom (FT) and Orascom Telecom Holding (OTH), Mobinil is the current market leader, with a market share of around 44% at the end of September 2009.
- The Egyptian mobile market had settled into a comfortable duopoly for years, until the regulator awarded Etisalat Misr the third mobile license in 2006. Etisalat Misr's entry was aggressive; within a year and a half, the company was able to grasp around 12% of the mobile market share through a series of exceptional offers. Mobinil and Vodafone Egypt followed Etisalat's lead and introduced a flurry of promotions with reduced tariffs. This pushed the penetration rate from 24% in 2006 to 54% in 2008. As for this year, we are still witnessing aggressive competition among the three mobile operators. The peak was in the summer, especially during Ramadan, when the three operators slashed prices, pushing the penetration rate to 69% at the end of September 2009.
- Mobinil's total revenue has been increasing at a double-digit growth rate over the past few years, driven mostly by the growth in the mobile subscriber base. As for the company's EBITDA, Mobinil's management has been focusing on a cost optimization plan and on enhancing the gross margin. Hence, the EBITDA margin increased from 44.5% at the end of 2007 to 46.8% at the end of 2008.
- With the current stiff competition among mobile operators and the large population in Egypt, we believe that the mobile market in Egypt will continue to grow; we forecast that the penetration rate in Egypt will reach 90% by 2013 and Mobinil's market share will decrease to 42.6% by 2013. We also believe that the price war, if it continues, will further dilute ARPU.
- We forecast that Mobinil's total revenue will increase at a CAGR of 5% from 2008 through 2013. On the other hand, Mobinil will have to keep up with the other mobile operators by increasing its marketing and advertising campaign. Thus, we expect Mobinil's EBITDA margin to decrease to 45% by 2013.
- From a valuation standpoint, using the discounted cash flow (DCF) method and peer comparison based on forward price/earnings to growth (PEG) and EV/EBITDA multiples, we believe that the fair value per share of Mobinil is EGP 200, representing a 1% upside potential from the November 23, 2009, close, hence, our "Hold" recommendation.

** Please refer to page 19 for recommendations and risk ratings.

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EXECUTIVE SUMMARY

Both Mobinil and Vodafone Egypt had been enjoying years of a quasi benign duopoly over the Egyptian mobile market, until the regulator awarded Etisalat Misr the third mobile license in 2006. Etisalat Misr's entry was aggressive; within a year and a half, the company was able to grasp around 12% of the mobile market share through a series of exceptional offers. Mobinil and Vodafone Egypt followed Etisalat's lead and introduced a flurry of promotions with reduced tariffs; this pushed the penetration rate from 24% in 2006 to 54% in 2008.

As for this year, we are witnessing aggressive competition among the three mobile operators. The peak was in the summer, especially during Ramadan, when the three operators slashed prices, thus pushing the penetration rate to 69% at the end of September 2009. According to Mobinil's management, all operators stopped their aggressive promotions and are back to pre-Ramadan pricing. Even though competition is intensifying, Mobinil was able to hold on to its leadership position by having 44% of the market share in Egypt and a mobile subscriber base of around 25 million (with the majority prepaid, 97%).

With the current stiff competition among mobile operators, we believe that the mobile market in Egypt will continue to grow, and based on the peer country analysis, we forecast that the penetration rate in Egypt will reach 90% by 2013. We forecast that the total number of subscribers will grow at a CAGR of 13% in the next five years, and Mobinil's market share will decrease to 42.6% by 2013.

Mobinil's total revenue has been increasing at a double-digit growth rate over the past years, driven mostly by the growth in the mobile subscriber base (CAGR of 50% between 2004 and 2008). As for the company's EBITDA, Mobinil's management has been focusing on a cost optimization plan and on enhancing the gross margin. Hence, the EBITDA margin increased from 44.5% at the end of 2007 to 46.8% at the end of 2008.

We believe that the price war, if it continues, will further dilute the ARPU; thus, we forecast that blended ARPU will drop from USD 8.4 in 2008 to USD 5.7 in 2013. We forecast that Mobinil's total revenue will increase at a CAGR of 5% from 2008 through 2013. We believe that service revenue will remain the main contributor to total revenue, and mobile broadband revenue will keep on growing to contribute to 4% of total revenue in 2013. We believe that Mobinil will have to be more creative in its packages and offers: the company should focus on value-added services to attract new subscribers and retain existing ones. On the other hand, Mobinil will have to keep up with the other mobile operators by increasing its marketing and advertising campaign. Thus, we expect Mobinil's EBITDA margin to decrease to 45% by 2013.

From a valuation standpoint, using a combination of discounted cash flow (DCF) and peer comparison based on forward PEG and EV/EBITDA multiples, we believe that the fair value of Mobinil's share is EGP 200, representing a 1% upside potential from the November 23, 2009, close, hence, our "Hold" recommendation.

VALUATION

The purpose of this valuation exercise is to arrive, through the use of fundamental analysis, at a fair value estimate of the share price that should prevail for Mobinil in the next 12 months. However, this does not represent a guarantee that this value is achievable within that time frame, as a wide range of variables and market dynamics affect the market price of an asset.

Each investor must use his or her favorite mix of fundamental research, technical analysis, and market intelligence to arrive at an investment decision that matches his or her objectives and tolerance for risk.

We arrived at a 12-month fair value for Mobinil of EGP 200 per share by using two valuation methods: discounted cash flow (DCF) and peer comparison based on the forward price-to-earnings-to-growth ratio (PEG) and EV/EBITDA.

We specified a weight for each method, as shown in Figure 1. The greater weight is assigned to DCF, as this method examines the fundamentals of the company to determine its future cash-generating ability. The 12-month fair value of EGP 200 represents a 1% upside potential from the November 23, 2009, close, hence our “Hold” recommendation.

Figure 1 Fair Value per Share

	Valuation Method	Value (EGP)	Weight (%)
Our 12-month fair value for Mobinil is EGP 200	Discounted cash flow	192	80%
	Peer comparison	233	20%
	Weighted average fair value	200	100%

Source: NBK Capital

Discounted Cash Flow Valuation

Our DCF valuation (Figure 2) is based on the forecasted financial results through 2014. The DCF valuation is a function of the following major variables, which have been estimated by our model:

- Future net operating profit less adjusted taxes (NOPLAT), which is driven primarily by expectations of sales and operating expenses.
- Future changes in working capital.
- Future net expenditures on fixed assets.
- The weighted average cost of capital (WACC), which is a weighted average of our estimated cost of equity and the after-tax cost of debt.
- The long-term expected growth rate in NOPLAT and the expected rate of return on net new invested capital (RONIC).

From the forecasted financial results, we extracted the free cash flows that were used in our valuation. We discounted those cash flows to a point in time that is 12 months in the future to obtain an estimate of the value of the company's operations. After subtracting net debt and minority interest and adding the value of non-operating assets, we arrived at a total equity value of EGP 19.2 billion.

To estimate the value of Mobinil's operations, we incorporated a varying WACC into our model. The chosen cost of equity (17.5%) is mainly a function of interest rate levels, risks in the operating environment, and a subjective assessment of the equity risk premium.

Figure 2 DCF Valuation

Figures in EGP Thousands*		Forecast				
Fiscal Year Ends December		2009	2010	2011	2012	2013
Net Operating Profit after Tax		2,677,092	2,681,178	2,681,457	2,652,703	2,633,140
Add: Depreciation and Amortization		1,939,632	2,096,628	2,258,825	2,425,379	2,596,670
Gross Cash Flow		4,616,724	4,777,806	4,940,282	5,078,082	5,229,810
(Incr.)Decr. in Working Capital		178,747	81,548	80,476	92,506	97,447
(Incr.)Decr. in Operating Fixed Assets		(3,067,029)	(1,569,960)	(1,621,967)	(1,665,545)	(1,712,913)
Free Cash Flow from Operations		1,728,442	3,289,393	3,398,791	3,505,043	3,614,345
Terminal Value		-	-	-	-	18,250,428
Value of Operations in 12 Months		22,299,762				
Add: Excess Cash		2,392,380				
Add: Value of Long-Term Investments		900				
Add: Value of Other Long-Term Assets		1,110,890				
Less: Total Debt		(6,598,625)				
Less: Minority Interest		(2,532)				
Value of Equity in 12 Months		19,202,775				
Per Share Value in EGP		192				

Using the DCF valuation method, we arrived at a fair value per share of EGP 192

Source: NBK Capital

Sensitivity Analysis

We performed a sensitivity analysis (Figure 3) on two important inputs to our DCF valuation model: the cost of equity and the perpetual growth rate used in computing the terminal value.

Figure 3 Sensitivity Analysis

		Growth				
		4.0%	4.5%	5.0%	5.5%	6.0%
Cost of Equity*	16.5%	201.91	202.78	203.70	204.66	205.68
	17.0%	196.34	196.99	197.66	198.35	199.06
	17.5%	191.11	191.57	192.03	192.48	192.92
	18.0%	186.19	186.48	186.75	187.01	187.23
	18.5%	181.54	181.69	181.81	181.89	181.92

We performed a sensitivity analysis on two major inputs for the DCF model

*Variations in the cost of equity result in variations in WACC. Source: NBK Capital

Peer Group Comparison

We compared Mobinil to five other mobile operators that share similar characteristics (Figure 4). We obtained the consensus forward earnings per share (EPS) for 2009 and the consensus earnings growth estimates for each of the peer group members for the next three years. The simple average PEG for the sample, excluding the highest and lowest values, was 1.46. Mobinil, in contrast, currently trades at a higher PEG of 3.94, based on our 2009 forecast EPS and our five-year earnings growth rate.

We also valued Mobinil relative to the EV/2009EBITDA for the same sample. The simple average EV/2009EBITDA for the sample, excluding the highest and lowest values, was 5.95. Mobinil, in contrast, currently trades at an EV/2009EBITDA of 2.15, based on our 2009 forecast EBITDA and net debt levels.

Using a simple average of the two multiples, and excluding outliers among the five companies in the sample, we estimate the value of a Mobinil share is EGP 233. This implies that Mobinil is currently undervalued, considering Mobinil's current market price of EGP 199.

Figure 4 Forward PEG and EV/EBITDA Multiples Comparison

Company	Market Data		EV / 2009 EBITDA	2009 Forecast EPS	PEG
	Price* (Local Currency)	Market Cap (USD Millions)			
Mobily	42.8	29,960	8.5	3.9	1.6
Idea Cellular	51	157,485	4.8	2.7	1.9
Turkcell	6	13,745	5.7	0.6	5.0
MTN	11,977	220,361	5.0	902.0	0.9
America Movil	31	999,195	7.2	2.2	0.7
Weighted average			6.57		0.92
Simple average			6.22		2.01
Simple average excluding outliers			5.95		1.46
Median			5.74		1.64

The average EV/EBITDA for the sample, excluding the outliers, stands at 5.95

**Prices as of last close. Sources: Reuters Knowledge and NBK Capital*

BULLS VS. BEARS

Bull Story

- Egypt has a favorable demographic outlook, as 31% of Egypt's population is under the age of 15 and the total Egyptian population is expected to grow at around 2% per year.
- The penetration rate in Egypt stood at 69% at the end of September 2009, implying room for further growth, especially since the average penetration rate in peer countries have reached 73%.
- Since inception, Mobinil has been able to sustain its leadership in the mobile market with a market share of around 44% at the end of September 2009.
- Broadband is still underpenetrated in Egypt; thus, mobile operators are seeking to invest in this segment in order to diversify revenue generation. With the acquisition of a 3G license and the latest mobile broadband offers, Mobinil is on the right track to improve this segment of business.
- Mobinil showed interest in acquiring an ISP company, Linkdotnet, from Orascom Telecom. If this deal materializes, Mobinil is expected to increase its data contribution to total revenue.

Bear Story

- Mobinil and Vodafone Egypt are facing hard-hitting competition from Etisalat Misr, which was able to increase its market share to 17% since the company's commercial launch around two years ago.
- During 3Q2009, a price war started between the three mobile operators with the re-launch of the EGP 0.19 cross-net tariffs by Etisalat. To curb market share loss, Mobinil and Vodafone Egypt had to respond with aggressive promotions similar to Etisalat's promotions. This price war has taken its toll and diluted Mobinil's blended ARPU from USD 8.4 at the end of 2008 to USD 7 at the end of September 2009.
- Mobinil is currently caught in a dispute between its two main shareholders, Orascom Telecom and France Telecom.
- Mobinil is also in a dispute with Telecom Egypt with respect to interconnection rates between mobile and fixed-line phones.
- Mobinil's dividends will be under pressure if the company acquires the ISP company Linkdotnet and pays the 3G license fees.
- Mobinil has filed an appeal with the Central Bank of Egypt to allow local banks to exclude Mobinil from the OTH single obligor limit since the current situation is curbing Mobinil's ability to borrow locally.

OVERVIEW OF EGYPTIAN TELECOM MARKET

Regulatory Environment

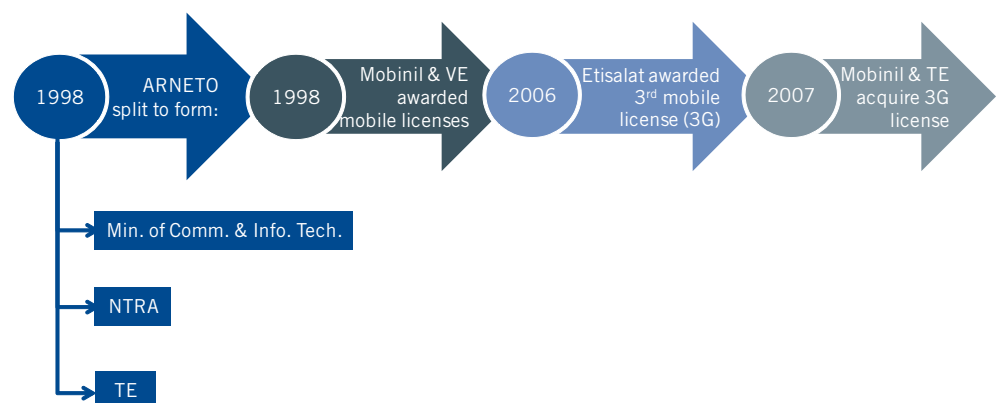
In 1998, the liberalization of the telecom market started in Egypt, and the former Arab Republic of Egypt National Telecommunications Organization (ARNETO) was split into three separate entities:

- Ministry of Communication and Information Technology, which is responsible for the overall development of the telecommunication policies.
- National Telecom Regulatory Authority (NTRA), which is responsible for providing the regulatory framework, ensuring fair competition between operators, protecting the general interest of end users, and ensuring optimum utilization of the frequency spectrum.
- Telecom Egypt, which was formed to provide telecom services and establish, maintain, and operate the fixed telecom network.

In May 1998, two mobile licenses (for 15 years each) were issued. Mobinil was the first mobile operator to launch its services, followed six months later by Vodafone Egypt. In 2006, the NTRA awarded the third mobile license to UAE's Etisalat for EGP 16.7 billion.

During 2007, Mobinil and Vodafone Egypt each acquired a 3G license. In April 2008, the NTRA introduced mobile number portability (MNP), giving customers the option of switching to other networks without changing their number.

Figure 5 Liberalization of the Telecom Market in Egypt



Source: NBK Capital

Mobile Market

List of Operators: Currently, Egypt's mobile market is served by three mobile operators:

- Egyptian Company for Mobile Services (ECMS): Branded as Mobinil, the company is backed by telecom giants France Telecom (which owns 36.4% indirectly of ECMS) and Orascom Telecom (which owns 34.6% directly/indirectly of ECMS). Mobinil is the current market leader, with a market share of around 44% at the end of September 2009.
- Vodafone Egypt: The second GSM operator in Egypt is backed by Telecom Egypt (which owns 44.95%) and Vodafone Group (which owns 54.93%).
- Etisalat Misr: Backed by Etisalat (which owns 66%), Etisalat Misr launched its operations in mid-2007 as the first 3G operator in the country. Etisalat Misr is the only mobile operator with an exclusive international gateway.

Penetration Rate and Market Share: The Egyptian mobile market had settled into a comfortable duopoly for years, until the regulator awarded Etisalat Misr the third mobile license in 2006. Etisalat Misr's entry was aggressive; within a year and a half, the company was able to grasp around 12% of the mobile market. Mobinil and Vodafone Egypt followed Etisalat's lead and introduced a flurry of promotions with reduced tariffs; this pushed the penetration rate from 24% in 2006 to 54% in 2008. As for this year, we are witnessing an aggressive competition among the mobile operators. The peak was in the summer, especially during Ramadan, when the three operators slashed prices. Mobinil and Vodafone Egypt lowered their tariffs to meet the EGP 0.19 cross-net tariff by Etisalat Misr. All this pushed the penetration rate to 69% at the end of September 2009. According to Mobinil's management, all operators have stopped their aggressive promotions and are back to pre-Ramadan pricing.

When considering countries comparable to Egypt on a GDP per-capita basis, we find that the penetration rate in Egypt (69%) is below the average prevailing rate in peer countries, which currently stands at 73% (Figure 6).

Figure 6 Mobile Penetration Rate in Countries Comparable to Egypt

Country	2005	2006	2007	2008	Sep-09
Indonesia	18%	25%	37%	56%	63%
Mongolia	20%	29%	42%	63%	73%
Morocco	42%	51%	63%	71%	75%
Paraguay	31%	53%	72%	84%	86%
Sri Lanka	18%	28%	41%	57%	70%
Average	26%	37%	51%	66%	73%
Egypt	18%	24%	40%	54%	69%

The mobile penetration rate in Egypt is below the peer-group average

Sources: Annual reports, IMF, Informa database, and NBK Capital

Both existing operators lost market share with the entry of Etisalat. Mobinil's market share dropped from 52% in 2006 to 44% as of September 30, 2009; as for Vodafone Egypt, its market share dropped from 48% in 2006 to 39% as of September 30, 2009.

ARPU: Although there are three operators in Egypt, blended ARPU is still higher than the average ARPU in peer countries. Total monthly blended ARPU in Egypt (excluding Etisalat Misr) at year-end 2008 stood at USD 10, which is 36% higher than the peer group average (Figure 7). We noted that Vodafone Egypt's blended ARPU was higher than Mobinil's by 35% at the end of 2008.

Figure 7 Total Monthly Blended ARPU in Countries Comparable to Egypt

Country	2005	2006	2007	2008
<i>(All figures in USD)</i>				
Indonesia	8	8	7	5
Mongolia	11	11	12	11
Morocco	13	12	12	11
Paraguay	10	10	8	6
Sri Lanka	7	6	4	3
Average	10	9	9	7
Egypt*	16	14	12	10

The total monthly blended ARPU in Egypt is 36% higher than the peer-group average

*Excluding Etisalat Misr. Sources: Annual Reports, IMF, Informa, and NBK Capital

Internet and Data Market

Broadband was commercially launched in Egypt in 2000. According to the NTRA, there are four Internet licenses (Class A), eight data service provider licenses (Class B), 210 service-based ISP licenses (Class C), and one global peer license. The Class A licenses can buy international bandwidth from Telecom Egypt, and have their own international gateway for data through Telecom Egypt. Companies with these licenses can resell Internet bandwidth to Class B and Class C licenses. The main difference between Class A and Class B licenses is that the latter cannot resell bandwidth to other service providers.

The total number of Internet subscribers grew at a CAGR of 15% between 2002 and 2008; during this same period, the ADSL connections grew by a CAGR of 23%. All mobile operators are counting on mobile broadband to be able to grow their business. Until now, this business segment has had a low contribution to total revenues.

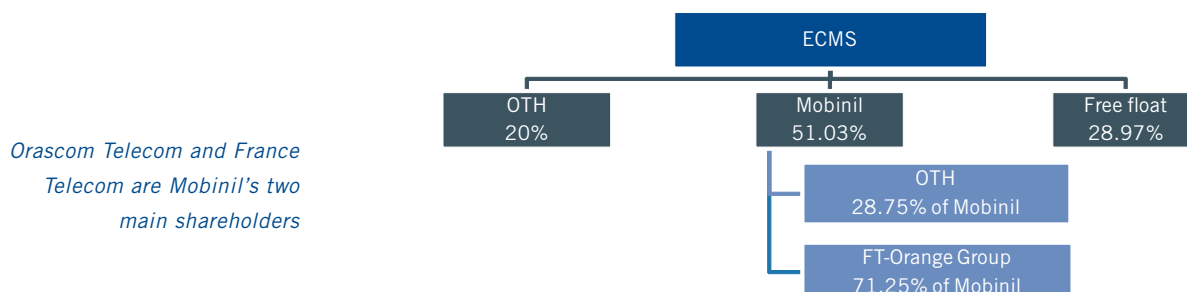
MOBINIL OVERVIEW

Basic Information

Mobinil was the first mobile operator in Egypt. The company was founded in 1998 by a consortium composed of France Telecom, Motorola, and Orascom Telecom; together, these companies acquired 51% of ECMS. The telecom regulator granted Mobinil a GSM license in 1998, and the company launched operations in May of the same year; the license was acquired back then for an initial fee of EGP 1.755 billion. In December 2000, Motorola exited the consortium by selling its stake in Mobinil to France Telecom and Orascom Telecom.

To remain competitive and increase revenue base, Mobinil is interested in expanding its data services by acquiring Linkdotnet (Internet subsidiaries) from OTH. We currently do not have all the details of the transaction. Hence, we will not include it in our valuation.

Figure 8 Mobinil Ownership Structure



Source: Mobinil's presentation

Mobinil provides mobile services as well as data and multimedia services. As of May 2009, Mobinil's network covered around 99.66% of the total population in Egypt.

Mobinil's Strategy

The strategic objectives of Mobinil's management are the following:

- Maintain market share leadership
- Adopt a more segmented approach
- Optimize stakeholder value

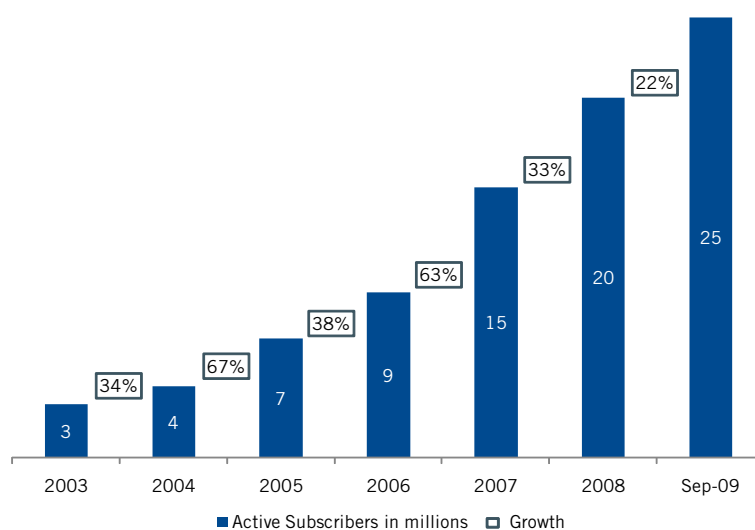
According to Mobinil, the company plans to focus on being the “operator closest to subscribers’ heart, and enhance the network and technology image.”

Mobile Services

At the end of 2008, the number of Mobinil subscribers grew by 33% YoY, and reached around 20 million (Figure 9). With the entry of Etisalat Misr, Mobinil was able to hold on to 44% of the market, compared to 52% in 2006. In September 2009, the number of Mobinil's mobile subscribers reached around 25 million (with the majority being prepaid, 97%), which translates into a market share of 44%.

Figure 9 Mobinil's Subscribers

*Mobinil's subscriber base grew
at a CAGR of 46% between
2003 and 2008*



Sources: Mobinil annual report and NBK Capital

In November 2009, Mobinil and Zain Group entered into a strategic agreement, which now adds Egypt to Zain's expanding "One Network" through Mobinil. Mobinil customers will be able to roam on Zain's network in Bahrain, Iraq, Jordan, Kuwait, Saudi Arabia, and Sudan at local rates of the visited country and will also be able to receive incoming calls from their home country for free or at minimal charge (except for Kuwait where only data is affected). We believe that this strategy will lower the roaming revenue generated by Mobinil.

MOBINIL FINANCIAL ANALYSIS AND FORECAST

Mobile Market Forecast

With the current stiff competition among mobile operators, we believe that the mobile market in Egypt will continue to grow, and based on the peer country analysis, we forecast that the penetration rate in Egypt will reach 90% by 2013 (Figure 10). We forecast that the total number of subscribers will grow at a CAGR of 13% in the next five years, and Mobinil's market share will decrease to around 42.6% by 2013.

Figure 10 Mobile Market in Egypt

We expect the penetration rate in Egypt to reach 90% in 2013

	2008a	2009f	2010f	2011f	2012f	2013f
Penetration Rate	54%	72%	78%	83%	87%	90%
Peers' Penetration Rate	66%	82%	92%	99%	104%	107%
Total Subscribers (millions)	43.0	57.7	64.2	69.7	74.5	78.6
Market Share:						
<i>Mobinil</i>	46.8%	44.0%	43.3%	43.1%	42.9%	42.6%
<i>Others</i>	53.2%	56.0%	56.7%	56.9%	57.1%	57.4%
Mobinil's ARPU (USD)						
<i>Total Blended</i>	8.4	7.1	6.4	6.1	5.8	5.7

Sources: Annual reports, IMF, Informa database, and NBK Capital

At the end of 9M2009, Mobinil's blended ARPU reached a little over USD 7, a decrease of 16% since December 2008. This was due to the company targeting the lower market segment and offering an aggressive on-net promotion during Ramadan. We believe that the price war, if it continues, will further dilute the ARPU; thus, we forecast that Mobinil's blended ARPU will drop from USD 8.4 in 2008 to USD 5.7 in 2013.

Revenue

Due to Mobinil's high growth in the mobile subscriber base (CAGR of 50% between 2004 and 2008), the company's revenue witnessed a CAGR of 23% between 2005 and 2008. As of year-end 2008, revenues reached around EGP 10 billion, compared to EGP 8.2 billion in 2007, a growth of 21%.

Mobinil's revenue is divided into four segments:

- Service revenue
- Roaming revenue
- Connection fees
- Handset and others

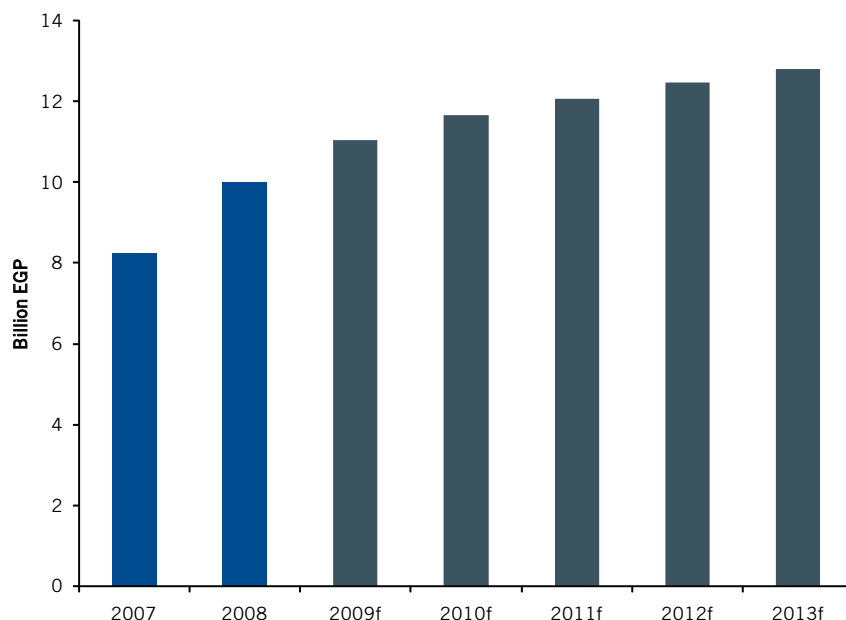
Service revenue, mainly voice services, is the main contributor to Mobinil's revenue. Service revenue contributed to 93% of total revenue in 2008 and 94% during 9M2009. As for roaming revenue, it accounted for 5% of total revenue in 2008. It is important to note that this segment has been witnessing a decline starting in 4Q2008 (38% in 9M2009 YoY) mainly due to the financial crisis that limited tourist activities in Egypt (the majority of roaming revenue is from incoming roaming). According to Mobinil's management, revenue from mobile broadband accounted for less than 2% of total revenue in 2008.

We forecast Mobinil's total revenue through 2014 by separately projecting the revenues from the different service segments. Figure 11 presents a summary of our revenue forecast, which

projects a CAGR of 5% from 2008 through 2013. We believe that service revenue will remain the main contributor to total revenue, and mobile broadband revenue will keep on growing to contribute to 4% of total revenue in 2013.

Figure 11 Mobinil's Actual and Forecast Revenue

We forecast Mobinil's revenue to grow at a CAGR of 5% from 2008 through 2013

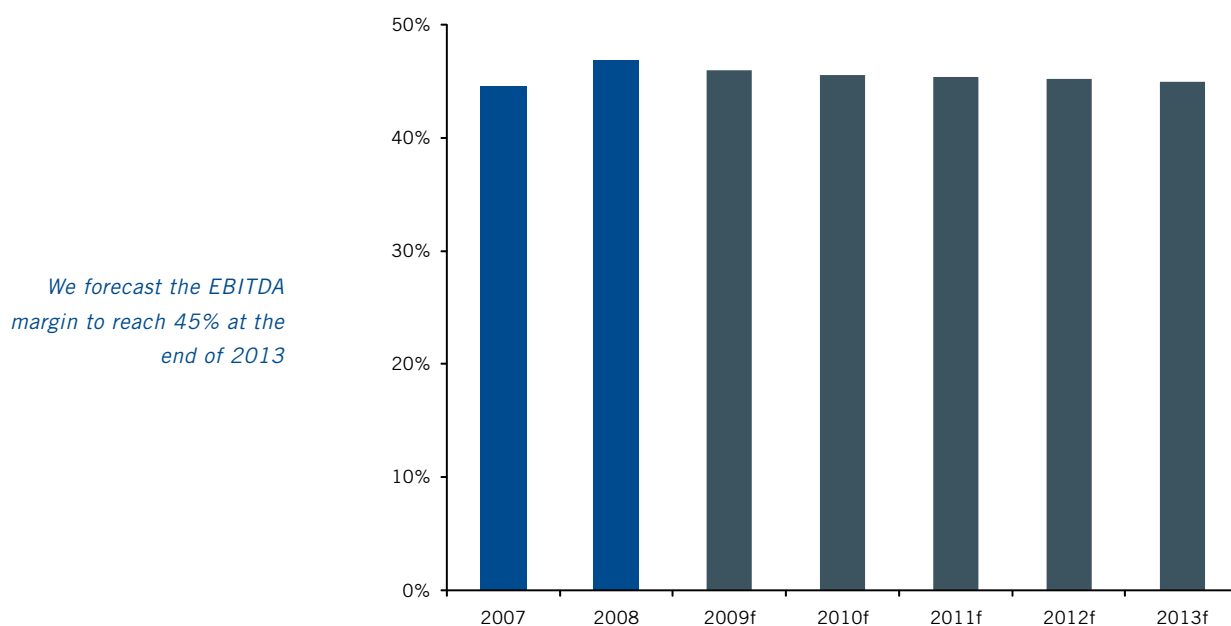


Source: Annual report and NBK Capital

Profitability

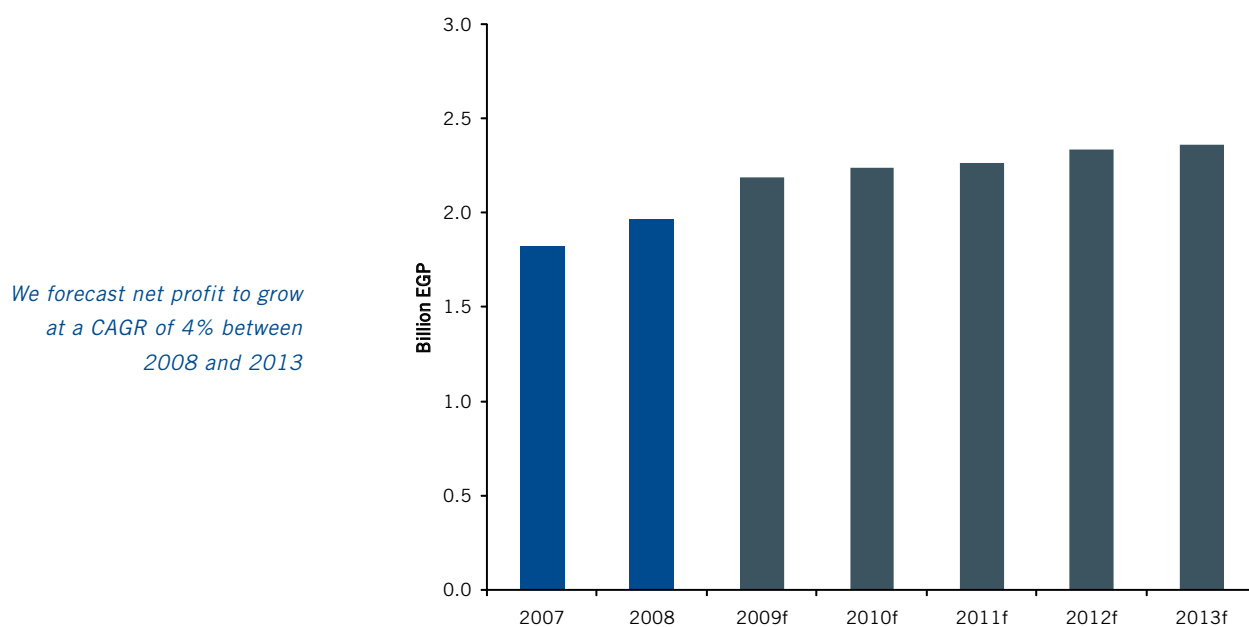
At the end of 2008, EBITDA reached EGP 4.7 billion, an increase of 27% over 2007. The EBITDA margin increased from 44.5% in 2007 to 46.8% at the end of 2008. The improved EBITDA margin is due to the higher gross margin, given the low on-net pricing strategy and lower interconnect charges and the cost optimization plan. Mobinil followed the same strategy during 9M2009, when the EBITDA margin reached 47.4%. However, the EBITDA margin in 3Q2009 decreased to 45.4% compared to 47.8% in 3Q2008 mainly due to the lower revenue growth (aggressive promotion) and the higher cost of sale.

Going forward, we believe Mobinil's EBITDA margin will face some pressure from the stiff competition among the operators. Mobinil will have to keep up with its promotion activities to retain existing subscribers and attract new customers. We forecast the EBITDA margin to decline to 45% by 2013 (Figure 12).

Figure 12 Mobinil's Actual and Forecast EBITDA Margin

Sources: Mobinil annual reports and NBK Capital

At the end of 2008, Mobinil's net income witnessed an 8% YoY increase from EGP 1.8 billion in 2007 to 1.97 billion, a CAGR of 14% from 2006 to 2008. As for 9M2009, the bottom line witnessed growth of 3% YoY to around EGP 1.5 billion. We expect net income to reach around EGP 2.4 billion by 2013, a CAGR of 4% from 2008 to 2013.

Figure 13 Mobinil's Actual and Forecast Net Profit

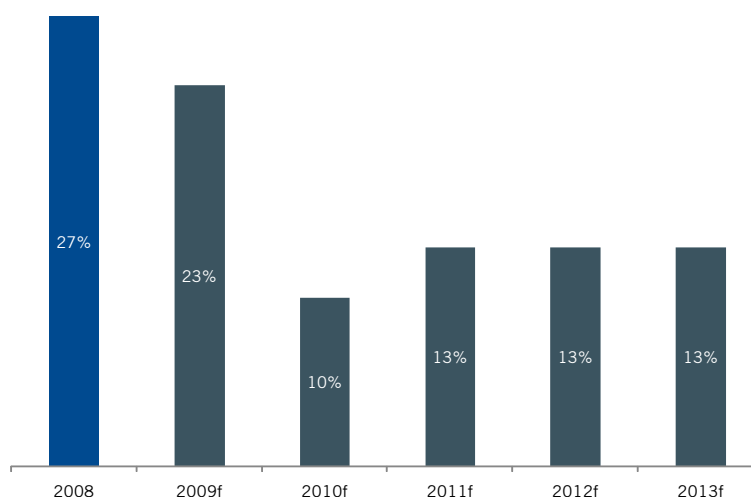
Sources: Mobinil annual reports and NBK Capital

Capital Expenditure

At the end of 2008, CAPEX reached EGP 2.7 billion, which represents 27% of total revenues. According to management, the CAPEX projection for 2009 stands between EGP 2.5 billion and EGP 3 billion. Based on the requirement of Mobinil's operation, we expect CAPEX to account for around 23% of total revenue in 2009. As for the coming years, we believe that CAPEX will settle at 13% of the total revenues (Figure 14).

Figure 14 Capital Expenditure as a % of Total Revenue

We estimate CAPEX will reach 13% of total revenue by 2013



Sources: Annual report and NBK Capital

For 2010, Mobinil has some payment obligations for the license, which are as follows:

- A license payment of EGP 750 million linked to 2G frequencies that should be paid as soon as Mobinil get these frequencies.
- Another payment of EGP 750 million due on January 1, 2010.
- A payment of EGP 1.1 billion for the second 5 megahertz of 3G frequency that is expected to be paid in December 2010.

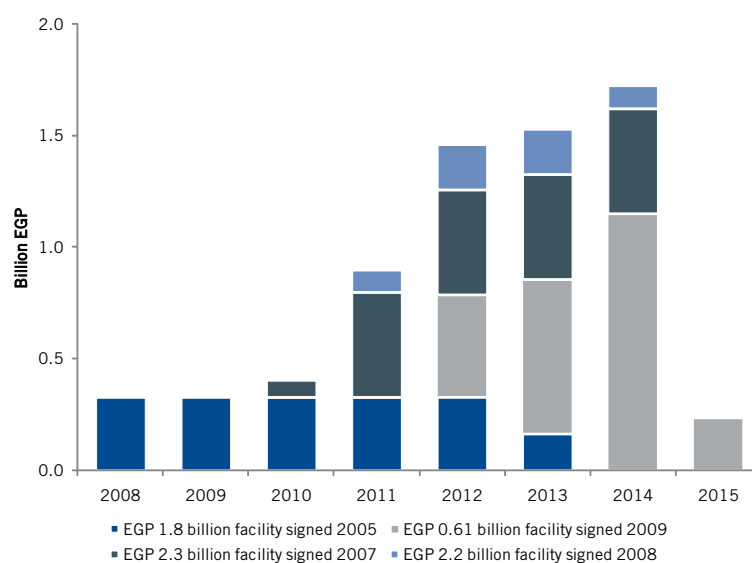
Financial Health

At the end of September 2009, Mobinil had a debt-to-equity ratio of 1.47x. Mobinil has filed an appeal with the Central Bank of Egypt to allow local banks to exclude Mobinil from the OTH single obligor limit since the current situation is curbing Mobinil's ability to borrow locally. According to Mobinil's management, the company has a specific funding and liquidity policy:

- Mobinil adopts a conservative funding policy that aims to minimize currency risk and match the life of assets as much as possible.
- Mobinil seeks to have funding in place at least one month before any known or expected expenditure.

The company has three long-term debt facilities with the following maturity profile (Figure 15).

Figure 15 Debt Maturing Profile—Long-term Debt



Sources: Mobinil's presentation

Mobinil has plans to issue a bond worth up to EGP 1.5 billion. This bond will support Mobinil's expansion plans as well as the proposed acquisition of Linkdotnet from its shareholder Orascom Telecom Holding. Mobinil will make a decision on this during the first week of December 2009.

FINANCIAL STATEMENTS

Balance Sheet (EGP Thousands)		Historical		Forecast				
Fiscal Year Ends December	2007	2008	2009	2010	2011	2012	2013	
ASSETS								
Cash and Short-Term Investments	414,916	650,488	1,360,216	2,838,558	3,755,768	4,425,882	4,146,902	
Total Receivables, Net	690,400	619,828	993,515	1,050,486	1,086,896	1,122,900	1,153,069	
Total Inventory	116,094	165,422	193,735	210,097	215,205	220,088	226,002	
Prepaid Expenses	125,798	151,855	172,209	186,753	191,294	195,634	200,890	
Total Current Assets	1,347,210	1,587,594	2,719,676	4,285,895	5,249,163	5,964,504	5,726,864	
Property/Plant/Equipment, Total - Net	6,060,309	7,870,041	8,721,858	8,124,162	7,772,223	7,310,094	6,724,989	
Intangibles, Net	1,071,684	3,186,777	3,061,870	4,786,963	4,612,234	4,437,505	4,262,776	
TOTAL ASSETS	10,053,451	13,658,012	15,567,639	18,314,422	18,806,847	18,943,947	18,008,019	
LIABILITIES & EQUITY								
Accounts Payable	1,270,776	2,086,538	2,152,615	2,334,414	2,391,170	2,445,426	2,511,129	
Accrued Expenses	632,094	873,850	993,515	1,050,486	1,086,896	1,122,900	1,153,069	
Current Port. of LT Debt/Capital Leases	327,200	327,200	407,200	798,311	1,258,311	1,300,687	1,621,111	
Other Current Liabilities	2,254,385	2,141,165	2,183,988	2,227,668	2,272,222	2,317,666	2,364,019	
Total Current Liabilities	4,484,455	5,428,753	5,737,318	6,410,879	7,008,599	7,186,679	7,649,329	
Long-term Debt	3,432,800	4,848,070	5,213,976	5,915,665	4,657,353	4,356,667	2,735,556	
Deferred Income Tax	236,407	380,628	380,628	380,628	380,628	380,628	380,628	
Minority Interest	3,707	2,532	2,532	2,532	2,532	2,532	2,532	
Other Liabilities, Total	144,511	758,401	765,985	773,644	781,381	789,195	797,087	
Total Liabilities	8,301,879	11,418,383	12,100,439	13,483,348	12,830,493	12,715,701	11,565,131	
Total Equity	1,751,572	2,239,628	3,467,200	4,831,073	5,976,354	6,228,246	6,442,889	
TOTAL LIABILITIES AND EQUITY	10,053,451	13,658,012	15,567,639	18,314,422	18,806,847	18,943,947	18,008,019	

Balance Sheet (EGP Thousands)		Historical		Forecast			
Fiscal Year Ends December	2007	2008	2009	2010	2011	2012	2013
Total Revenue	8,247,829	10,002,766	11,039,053	11,672,068	12,076,618	12,476,666	12,811,881
Cost of Revenue	1,827,994	2,057,409	2,152,615	2,334,414	2,391,170	2,445,426	2,511,129
Gross Profit	6,419,835	7,945,357	8,886,437	9,337,655	9,685,448	10,031,239	10,300,753
Selling/General/Admin. Expenses	1,528,544	1,697,832	1,876,639	1,972,580	2,089,255	2,208,370	2,293,327
Depreciation/Amortization	1,285,873	1,659,572	1,773,089	1,939,632	2,096,628	2,258,825	2,425,379
Other Operating Expenses	1,218,291	1,566,525	1,931,834	2,042,612	2,113,408	2,183,416	2,242,079
Operating Income	2,387,127	3,021,428	3,304,875	3,382,831	3,386,157	3,380,628	3,339,968
Interest Income (Exp), Net Non-Operating	(94,438)	(546,209)	(566,584)	(581,933)	(553,512)	(459,750)	(384,476)
Other, Net	29,084	(7,210)	-	-	-	-	-
Net Income before Taxes	2,321,773	2,468,009	2,738,291	2,800,898	2,832,645	2,920,878	2,955,492
Provision for Income Taxes	496,374	498,954	547,658	560,180	566,529	584,176	591,098
Net Income After Taxes	1,825,399	1,969,055	2,190,633	2,240,718	2,266,116	2,336,702	2,364,393
Minority Interest	1,615	(1,174)	(1,174)	(1,174)	(1,174)	(1,174)	(1,174)
Net Income	1,823,785	1,970,229	2,189,458	2,239,544	2,264,942	2,335,528	2,363,219

Balance Sheet (EGP Thousands)		Historical		Forecast			
Fiscal Year Ends December	2007	2008	2009	2010	2011	2012	2013
Cash from Operating Activities	3,310,782	3,555,900	4,194,796	4,811,296	4,869,467	5,030,759	5,178,968
Cash from Investing Activities	(3,252,403)	(3,531,840)	(2,502,399)	(3,017,049)	(1,488,552)	(1,518,521)	(1,575,726)
Cash from Financing Activities	75,013	211,512	(982,669)	(315,906)	(2,463,705)	(2,842,124)	(3,882,221)
Net Change in Cash	133,392	235,572	709,728	1,478,342	917,210	670,113	(278,979)

Sources: Annual reports and NBK Capital

RISK AND RECOMMENDATION GUIDE

Recommendation		Upside (Downside) Potential		
Buy		more than 20%		
Accumulate		between 10% and 20%		
Hold		between -5% and 10%		
Reduce		between -10% and -5%		
Sell		less than -10%		
RISK LEVEL				
Low Risk				High Risk
1	2	3	4	5

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